



MINORITY BUSINESS ENTERPRISES

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DEFINITIONS OF CERTIFIED SMALL CONTRACTOR AND MINORITY BUSINESS ENTERPRISE

By law, a "certified small contractor" is a business that (1) maintains its principal place of business in Connecticut, (2) had gross revenues of \$15 million or less during its most recent fiscal year, and (3) is independent. MBEs are small contractors owned by women, minorities, or people with disabilities. The owner must have managerial and technical competence and experience directly related to his or her principal business activities ([CGS § 4a-60g\(a\)](#)).

ISSUE

Describe (1) characteristics of minority business enterprises (MBE) (e.g., number of employees, annual revenues) and (2) factors that MBEs view as important to increasing their participation on state projects.

SUMMARY

The Connecticut Academy of Science and Engineering (CASE) is currently conducting a disparity study of the state's set-aside program for small and minority businesses. For more information on the program and its application to municipalities, please see OLR Report [2016-R-0005](#).

As part of Phase I of the study, CASE conducted a survey in March 2013 of all contractors (both small contractors and MBEs) certified to participate in the program. CASE provided us with a data set consisting

of responses from MBEs only. Tables 1-6 below provide survey data on MBEs' headquarters locations, number of full-time employees, contracts with the state, 2012 gross receipts, and sources of start-up financing.

The survey also asked respondents to assess the importance of various measures (e.g., improved communications, assistance with bonding requirements) in increasing participation by small contractors and MBEs on state projects. Table 7 shows MBEs' assessments of these measures.

Please note that the data are representative of only those firms that responded to the survey and are not necessarily representative of all MBEs. CASE did not have a precise survey response rate for MBEs but estimated that it was slightly more than the survey's overall response rate of 17%. Additionally, although 301 MBEs responded to the survey, not all respondents answered every question.

MBE SURVEY DATA

Headquarters Location

About 41.5% of responding MBEs indicated that their headquarters was located in Hartford County, followed by New Haven County (22.3%) and Fairfield County (17.1%). Table 1 lists the number of responding MBEs that are located in each county.

Table 1: Location of MBEs' Headquarters

County	Number	Percentage
Hartford	119	41.5%
New Haven	64	22.3
Fairfield	49	17.1
Middlesex	17	5.9
New London	14	4.9
Litchfield	12	4.2
Tolland	7	2.4
Windham	5	1.8
Total Respondents	287	

Number of Employees

Table 2 shows the size of responding MBEs' full-time workforces. Most responding MBEs (71.1%) reported having between zero and nine full-time employees.

Table 2: Size of MBEs' Full-time Workforces

Number of Employees	Number of Firms	Percentage
0-9	207	71.1%
10-20	51	17.5
21-50	27	9.3
51-99	3	1.0
100 or more	3	1.0
Total Respondents	291	

Dollar Values of MBEs' State Contracts

CASE asked survey respondents to provide the average amount of their state contracts and the amount of their largest state contract. The firms' responses are in Tables 3 and 4, respectively.

Nearly half of responding MBEs (47.1%) reported having no state contracts. For those firms that reported having contracts with the state, the \$100,000-\$499,999 range was the most common response for both the average contract amount (17.3%) and the amount of the largest contract (14.3%).

Table 3: Average Amount of MBEs' Contracts with the State

Contract Amount	Number of Firms	Percentage
No contracts	139	47.1%
\$9,999 or less	26	8.8
\$10,000-\$49,999	28	9.5
\$50,000-\$99,999	25	8.5
\$100,000-\$499,999	51	17.3
\$500,000-\$999,999	10	3.4
\$1 million or more	16	5.4
Total Respondents	295	

Table 4: MBEs' Largest Contract with the State

Contract Amount	Number of Firms	Percentage
No contracts	136	47.6%
\$9,999 or less	16	5.6
\$10,000-\$49,999	26	9.1
\$50,000-\$99,999	20	7.0
\$100,000-\$499,999	41	14.3
\$500,000-\$999,999	20	7.0
\$1 million or more	27	9.4
Total Respondents	286	

2012 Gross Receipts

Table 5 shows responding MBEs' 2012 gross receipts. Of the responding firms, (1) 4.5% reported no gross receipts, (2) 20% reported gross receipts of between \$1 and \$99,999, (3) 38.8% reported gross receipts of between \$100,000 and \$999,999, and (4) 36.7% reported gross receipts of \$1 million or more.

Table 5: MBEs' 2012 Gross Receipts

Gross Receipts	Number of Firms	Percentage
No receipts	13	4.5%
\$9,999 or less	11	3.9
\$10,000-\$49,999	24	8.4
\$50,000-\$99,999	22	7.7
\$100,000-\$499,999	80	28.0
\$500,000-\$999,999	31	10.8
\$1 million or more	105	36.7
Total Respondents	286	

Sources of Financing Available to Start Business

Roughly four-fifths of responding MBEs (81%) indicated that they relied on personal equity to finance their start-up costs, as shown in Table 6. No other source was cited by more than 21% of respondents. Respondents were allowed to select as many answers as applied.

Table 6: MBEs' Sources of Start-up Financing

Source	Number of Firms	Percentage
Personal equity	222	81.0%
Friends or family	56	20.4
Bank loan	44	16.1
Equity capital	13	4.7
Federal government	10	3.7
Total Respondents	274	

MEASURES TO INCREASE PARTICIPATION ON STATE PROJECTS

CASE asked survey respondents to assess the importance of various measures in increasing participation by small contractors and MBEs on state projects. Although the survey questions were not targeted to increased participation by MBEs only, the responses in Table 7 are exclusively from MBEs.

Table 7: Measures to Increase Participation on State Projects

Measure	Very Important	Somewhat Important	Not Important	Total respondents
Structuring solicitations, quantities, specifications and delivery schedules to facilitate increased participation	76.9% (163)	17.5% (37)	5.7% (12)	212
Implementing communications programs regarding contracting procedures and opportunities	75.6% (161)	19.3% (41)	5.2% (11)	213
Linked deposit programs or quick pay for timely payment	73.1% (152)	19.7% (141)	7.2% (15)	208
Ensuring distribution of your certified directory, through print and electronic means, to as many potential prime contractors as possible	72.6% (151)	21.6% (45)	5.8% (12)	208
Offering local bid preferences for subcontractors	69.8% (143)	20.5% (42)	9.7% (20)	205
Helping firms overcome barriers related to surety bonding or other financing	63.6% (133)	19.1% (40)	17.2% (36)	209

Table 7 (continued)

Measure	Very Important	Somewhat Important	Not Important	Total respondents
Helping firms learn to handle increasingly larger projects and a greater diversity of project types	62.5% (130)	25.0% (52)	12.5% (26)	208
Helping start-up firms become established	60.1% (125)	26.9% (56)	13.0% (27)	208
Reducing bonds and insurance requirements	58.1% (118)	26.1% (53)	15.8% (32)	203
Applying the set-aside goal to the change order amount	54.6% (102)	27.8% (52)	17.7% (33)	187
Offering technical assistance	50.8% (103)	33.5% (68)	15.8% (32)	203
Implementing supportive services programs to develop business management, record keeping, and accounting skills	48.8% (101)	28.0% (58)	23.2% (48)	207
Assisting firms in adopting new or emerging technologies and using electronic media	47.3% (96)	33.5% (68)	19.2% (39)	203
Restricting prime contractors' self-performance	34.1% (62)	41.2% (75)	24.7% (45)	182
Downsizing overall contract amounts	30.7% (61)	40.2% (80)	29.2% (58)	199
Adopting reciprocal preference laws so businesses could locate outside of the state	27.1% (55)	21.7% (44)	51.2% (104)	203

ADDITIONAL RESOURCES

Connecticut Academy of Science and Engineering: *Connecticut Disparity Study: Phase I*, <http://www.ctcase.org/reports/disparity/disparity.pdf>

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